

## Mutual Funds Disclosure

### Investing in Mutual Funds

A mutual fund is simply a pool of money invested for you by an investment company in a variety of instruments such as stocks, bonds, or government securities. Individual investors own shares of the mutual fund, while the fund (or investment company) owns the underlying investments selected by the fund's investment manager. Each mutual fund is different in its make-up and philosophy. There are two main types of mutual funds: "open-end" mutual funds, which redeem (or buy back) outstanding shares at any time upon the shareholder's request based on the current value of the fund's assets, and "closed-end" mutual funds, which issue a fixed number of shares, trade similarly to stocks, and are typically listed on an exchange.

### Important Considerations

As with any investment decision, it is important to consider a number of factors before making an investment in a mutual fund. Not only should you consider the risks and objectives of the fund and match them to your own goals and risk tolerance, but you should also understand the costs associated with your investment and how Invicta and your Financial Advisor are compensated on that investment. Some key factors to consider include a mutual fund's investment strategy, risk profile, investment performance, and relationship to your overall asset allocation strategy and investment time horizon. Fees and expenses have an impact on a fund's investment returns and are important factors as well. All mutual funds, including "no load" funds, incur transaction costs, expenses, and other fees that are passed through by the mutual fund and ultimately paid by the fund shareholders. Generally, this information is referred to in the fund Prospectus, or in other information as may be requested or obtained from the fund, such as the fund's Statement of Additional Information (SAI).

Most mutual funds require a minimum initial investment, sometimes as low as \$250. Mutual fund shares fluctuate in value, rising and falling in price depending on the performance of the underlying securities in the fund. **The Net Asset Value (NAV)** of a mutual fund indicates its value or price per share.

**Mutual funds are offered by prospectus only. Investors should consider the investment objective, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other important information, is available from your Financial Advisor and should be read carefully before investing. The investment return and principal value of an investment will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than original cost.**

Diversification and systematic investing do not ensure a profit or protect against loss.

### Mutual Fund Share Classes

When purchasing mutual funds, choosing a share class is an important investment decision. The information below may help you decide which mutual fund share class is appropriate for you

based upon your individual financial situation and investment time horizon. Generally, mutual funds are purchased in A, B, and C share classes, although other classes may also be appropriate.

**Class A Shares** - Class A shares are typically characterized by a "front-end" sales load. The sales load is a charge paid by the investor. This amount is expressed as a percentage of a fund's public offering price. Sales charges are typically 4.50% for fixed income funds and 5.75% for equity funds. For larger investments, discounts known as "breakpoints" (see below) may reduce the sales charge. Once the sales charge has been deducted, the remaining amount is invested in the fund. In addition to front-end sales loads, investors in mutual fund Class A shares will pay ongoing expenses levied by the funds, including 12b-1 fees.

**Class B Shares** - Class B shares carry higher internal expenses than Class A shares. These expenses will reduce your returns by the amount they exceed the internal expenses of A shares. Class B share expenses range 0.50% to 0.75% per annum higher than those of Class A shares. Class B shares are also characterized by "back-end" sales loads. Class B shares are not assessed an initial sales charge, allowing the entire purchase to be invested in the fund. However, if you redeem your investment within a prescribed time period, you will be assessed a charge called a "Contingent Deferred Sales Charge" or CDSC. CDSC periods usually expire in 4 to 7 years. The maximum amount of the CDSC is usually between 3.50% and 5.00% and declines the longer you hold your shares. Often when the CDSC period expires, your shares "convert" from Class B to Class A. This conversion allows you to pay lower ongoing internal expenses.

**Class C Shares** - Class C shares charge higher internal expenses than Class A shares. Class C shares usually are not assessed a front-end sales charge. Class C shares assess a CDSC if you redeem your investment within a short time period, typically the first 12 to 18 months of ownership. CDSCs for Class C shares are usually 1.00%. Class C shares do not "convert" to Class A shares, which means that the higher internal expenses continue throughout your ownership of Class C shares. Among Class A, B, and C shares, Class C shares typically have the highest internal expenses, which will reduce your returns.

#### Sales Charge Breakpoints, Rights of Accumulation, and Letter of Intent

Most mutual funds have reduced sales charges on front-end load shares (usually Class A shares) for investments in the same fund family, if certain investment levels are met. These discounts are called "**breakpoints**" and vary from fund to fund. As an example, a fund with a front-end sales charge of 5.75% may have a reduced sales load of 4.5% if the investment purchase amount is between \$50,000 and \$99,999, a further reduced sales load of 3.5% if the investment purchase amount is between \$100,000 and \$250,000, and so on.

Many mutual funds also allow investors to aggregate their holdings in related accounts (accounts owned by that investor and/or certain of their family members) in that fund family to determine the appropriate breakpoint for any additional investment amounts in that fund. These discounts are called "**rights of accumulation**" and also vary from fund to fund. Because aggregation policies are determined by each fund, it is important to review the fund's current Prospectus and Statement of Additional Information.

In addition, many funds also allow for discounts through an agreement with the investor, where a commitment is made to invest a predetermined amount over time (usually thirteen months) and the total amount to be invested meets a breakpoint level. This type of discount is called a "**letter of intent**" and will also vary from fund to fund. However, if an investor does not meet the

committed investment amount within the time period, the discounted sales charge will be recaptured from the investor, and the fund reserves the right to sell enough of the investor's holdings to meet any difference.

Because many investors own funds through several sources, it is important to inform your Financial Advisor of any other holdings in a fund family in order to determine any qualifying breakpoints. Please see the fund's Prospectus and Statement of Additional Information for details specific to each fund, and, as always, your Financial Advisor can assist you in determining the appropriate breakpoint discount.

#### NAV, Reinstatements, and Exchanges

Some funds allow for a qualifying investor to purchase front-end load shares at the fund's "**Net Asset Value**" (NAV), meaning without a sales charge. Generally, most funds will allow an investor to sell one fund and purchase another in that same family of funds without paying a sales charge; however, many funds limit how this may occur. These same fund family transactions are known as "**exchanges**." Some funds also allow an investor to purchase front-end load shares at NAV under a "**reinstatement**" plan, where the investor recently sold shares in that same fund (usually within the past 60-90 days; however, times vary between funds) and may repurchase shares at NAV up to the amount that was previously sold. A few funds also allow an investor to purchase front-end load shares at NAV in situations where the investor is using the proceeds from the redemption of some other mutual funds and the investor was charged a sales load on those funds. These are known as "**NAV transfer**" investments and are subject to limitations when available. Because exchange, reinstatement, and NAV transfer policies are determined by each fund, it is important to review the fund's current Prospectus and Statement of Additional Information.

#### Fee-Based Accounts

Mutual funds are also offered through various fee-based programs and accounts at Invicta, including discretionary and non-discretionary investment advisory programs and non-discretionary fee-based brokerage accounts. Instead of paying a sales charge on each transaction, you pay an annual fee based on a percentage of the value of the assets held in the account. These accounts typically offer a selection of load-waived (at NAV) or no-load fund shares. These fee-based programs and accounts provide features and benefits that may not be available in traditional brokerage accounts. The total cost of investing and holding mutual fund shares through a fee-based program or account may be more or less than investing in mutual fund shares in a traditional brokerage account, depending on the amount of the asset-based fee, the specific mutual fund shares in which you invested, and the level of activity in your account. Your Financial Advisor can provide you more information about these cost differences and whether a fee-based brokerage account is appropriate for you.

#### Mutual Fund Service, Support, and Operating Costs

Mutual funds typically charge ongoing fees and operating costs to conduct business. These fees include operating expenses, management fees, 12b-1 fees, shareholder services fees, and other expenses. These charges are deducted from the fund's assets, thereby reducing the investment returns. Many of the mutual funds pay a portion of the 12b-1 fees, which are generally used for marketing and distribution expenses or compensation, to financial institutions, advisors, or other investment professionals. In addition, a financial institution, such as Invicta, may also provide

administration services, sub-accounting, operational services, processing of purchases, redemptions and exchanges, dividend reinvestment, consolidated account statements, tax reporting, and/or marketing services and support on behalf of the mutual fund. Invicta incurs direct and indirect expenses as a result of providing these and other services, which include operations support, telephone and computer services, conference rooms, facilities, personnel, training, Financial Advisor compensation, publications, promotion, and other materials relating to the funds, for which a mutual fund company, their distributors, and/or advisors may pay compensation from the ongoing fees and operating costs, including a portion of its management fee.

#### How Compensation Is Paid to Invicta and Your Financial Advisor

Invicta and our Financial Advisors receive compensation when clients invest in mutual funds. Depending on the available share class, compensation may be a front-end sales charge, a concession from a mutual fund company, ongoing servicing fees known as "trails" (commonly referred to as 12b-1 fees), or a fee if mutual funds are purchased in a fee-based account through us. The ongoing fees Invicta and your Financial Advisor may receive from the mutual fund company are based upon the amount of your investment held with the fund and are paid in consideration of the ongoing servicing and operational support provided. You should discuss with your Financial Advisor the form of compensation he or she receives. Invicta's compensation formula does not favor one fund or fund family over another, and all commission revenue is paid out to the Financial Advisor on the same basis, similar to any commission revenue received by the firm.

#### Additional Information

Please discuss your particular needs and circumstances with your Financial Advisor to determine the fund that may be best suited for your investment needs. Please see each particular fund's Prospectus and Statement of Additional Information (SAI) for detailed information specific to that fund. The mutual fund prospectus discusses the different share classes available to investors, breakpoint schedules, other discount options, as well as, the costs and fees charged. For additional information on mutual funds and share class options available, consult the following web sites: the Securities and Exchange Commission ( [www.SEC.gov](http://www.SEC.gov) ) the FINRA ( [www.finra.org](http://www.finra.org) ) the Securities Industry and Financial Markets Association ( [www.SIFMA.org](http://www.SIFMA.org) ) or the Investment Company Institute ( [www.ICI.org](http://www.ICI.org) ).